

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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September 18, 2008

Jon Clark, Executive Director  
Butte County Association of Governments  
2580 Sierra Sunrise Terrace, Suite 100  
Chico, CA 95928-8441

Re: Butte County Association of Governments  
Audit of Indirect Cost Allocation Plan FY 2008/09  
File No: P1190-0696

Dear Mr. Clark:

We have audited the Butte County Association of Governments' (BCAG) Indirect Cost Allocation Plan (ICAP) for the fiscal year ending June 30, 2009 to determine whether the ICAP is presented in accordance with the Title 2, Part 225 of the Code of Federal Regulations (2 CFR 225-formerly the Office of Management and Budget (OMB) Circular A-87) and the Department of Transportation's (Department) Local Programs and Procedures (LPP) 04-10. BCAG management is responsible for the fair presentation of the ICAP. BCAG proposed an indirect cost rate of 87.29% of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of BCAG. Therefore, we did not audit and are not expressing an opinion on BCAG's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by BCAG, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in 2 CFR 225 and the Department's LPP 04-10, and is not intended to present the results of operations of BCAG in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a limited review of BCAG's Overall Work Program (OWP) for fiscal year 2008/09, a review of BCAG's single audit report for the fiscal year ended June 30, 2007,

inquiries of BCAG personnel and reliance on prior audit field work performed by the Department in September 2005. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our findings and recommendations take into consideration BCAG's response dated September 10, 2008 to our draft report. Our findings and recommendations, a summary of BCAG's response and our analysis of the response are detailed below. See Attachment 1 for a copy of the BCAG's response.

## **AUDIT RESULTS**

Based on audit work performed, BCAG's ICAP for the fiscal year ended June 30, 2009 is presented in accordance with 2 CFR 225 and LPP 04-10. The approved indirect cost rate is 87.29% of total direct salaries and wages, plus fringe benefits for the fiscal year ended June 30, 2009 (Attachment II). The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

## **AUDIT FINDINGS**

### **Finding 1**

BCAG included labor costs to prepare the Board minutes in the indirect cost pool which are unallowable. 2 CFR 225, Appendix B (19)(a) generally states that *"the general costs of government are unallowable. These include: (2) Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction."*

### **Recommendation**

We recommend that BCAG not include unallowable salaries and other expenses of the Board in the indirect cost pool.

### **BCAG Response**

The finding was discussed with Dave Kelly, BCAG Accountant on September 10, 2008. Mr. Kelly has stated that 1) the BCAG staff costs to prepare and distribute Board agendas, reports, meeting minutes etc have previously been allowable, and 2) The Federal Highway Administration (FHWA) sent an email to all of the planning agencies that stated FHWA is willing to participate in these costs. He believes that if the email from FHWA is not the official policy, then the treatment of the costs should be status-quo; and be allowable indirect costs. See Attachment 1 for the detailed response.

### **Analysis of Response**

FHWA Headquarters provided further clarification of an earlier statement regarding the allowability of general government expenses, specifically board related expenses stating it was still reviewing and analyzing the questions and will provide the FHWA Regional Office with a final response. As such,

our finding and recommendation remain. However, we will continue to work with FHWA towards a final interpretation on this issue.

This report is intended solely for the information of BCAG, Department Management, the California Transportation Commission and the FHWA. However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plan for your files. Copies were sent to the Department's District 3, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Kesh Braeger, auditor, at (916) 323-7886, or Amada Maenpaa, Audit Supervisor, at 916-323-7868.

  
MARYANN CAMPBELL-SMITH  
Chief, External Audits

Attachments

c: Ben J. Bramer, District 3  
Susan Zanchi, District 3  
Gary Buckhammer, HQ Accounting  
Brenda Bryant, FHWA  
Andrew Knapp, HQ Planning



# Butte County Association of Governments

2580 Sierra Sunrise Terrace, Suite 100, Chico, California 95928-8441 • (530) 879-2468 • FAX: (530) 879-2444 • [www.bcag.org](http://www.bcag.org)

September 10, 2008

MaryAnn Campbell-Smith  
 Chief, External Audits  
 Audits & Investigations, M.S. 2  
 P.O. Box 942874  
 Sacramento, CA 94274-0001

Dear Ms. Campbell-Smith

The Butte County Association of Governments (BCAG) would like to communicate our concerns to you regarding the current finding that the Caltrans Audits division has made in regard to expenses previously deemed allowable for Federal reimbursement in the A-87 Indirect Cost Plans.

The Caltrans Audits and Investigations division appears to be selectively enforcing and interpreting the provisions of A-87, while ignoring provisions which do not conform to your particular interpretation of the regulations. Specifically, this refers to your interpretation of Item 19 of Appendix B, which deals with general government expenses. You have recently changed policy (see following paragraph) to disallow the costs of staff related to the preparation of MPO board minutes and agendas for inclusion as reimbursable expenses. Your rationale appears to be that these expenses must be interpreted as unallowable under the provisions of 19.a.(2) which states that "*Salaries and other expenses of a State legislature, tribal council, or similar local government body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction*" are unallowable. Your interpretation requires that these preparation costs must be considered as part of the "salaries and expenses" of the governing board rather than of the administrative staff as part of their administrative duties. It is important to point out that this is *an interpretation*, since nothing in A-87 identifies or defines whether these costs must be considered governing board expenses under 19.a.(2). Conversely, the Audits division essentially ignores the provisions of 19.b. which states that "*For federally-recognized Indian tribal governments and Councils of Governments (COGS), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive officer and his staff is allowable*". Please note that 19.b. does not include any exception stating that these salaries and expenses do not include preparation of board minutes and agendas. Nor does this provision require any interpretation of its intent. If the activity performed is directly attributable to managing and operating Federal programs, it is allowable. Period.

The question then becomes whether the preparation of the board minutes and agendas is an activity directly supporting a Federal program or programs. Given the nature and purpose of MPO's, this has to be answered affirmatively. Even the Caltrans Audits division has made no attempt to argue that this activity is not allowable under the provisions of 19.b.. Your assertions have only related to your interpretation of what expenses are contemplated under 19.a(2), while not considering the explicit provisions in 19.b..

Although the Audits Division has asserted that the decision to disallow the preparation of board minutes and agendas was not a policy change, these costs have always, in the past, been included as part of the MPO' Overall Work Program documents.

Through years of both desk and field audits of BCAG's indirect costs plans by Caltrans audit staff (including last year), no mention was ever made questioning the allowability of these costs. In fact, in the approval letter of BCAG's 2007/08 Indirect Cost Allocation Plan signed by Ms Campbell-Smith, there is reference to our inclusion of staff time for holding Board of Directors meetings and preparing related agenda items. The only problem noted in the letter was that we were charging all the costs to a single work element. The finding noted that *"The Board related tasks may be more appropriately included in the indirect cost pool so that the cost is spread out to all benefiting programs"*. It is to say the least confusing and inconsistent that Caltrans Audits position is to now say these costs are unallowable when the issue was raised in our 2007/08 ICAP approval letter and identified as allowable costs.

We were also surprised to be informed that the Audits Division is continuing to deem these costs as unallowable, since we received the following e-mail communication from Sue Kiser last March regarding this issue:

*"Jon,*

*Thank you for your letter. FHWA agrees that the costs for staff preparation of Board agenda items, taking of minutes, mailing out of the agenda packages, are allowable because they are directly related to supporting the 3-C transportation planning process. We can not, however, pay for salaries of Board members or their travel costs.*

**K. Sue Kiser**

*K. Sue Kiser  
Director, Planning and Air Quality  
FHWA - CA Division  
650 Capitol Mall, Suite 4-100  
Sacramento, CA 95814"*

We continue to assert that these are allowable costs. However, should FHWA reverse their current position regarding the allowability of these costs, we will, of course, not include them in our allowable costs. The estimated costs in questions are approximately \$5,500 a year, as I outlined in an e-mail to Keshava Braeger in July.

Respectfully Yours,

David C, Kelly  
Accountant  
Butte County Association of Governments (BCAG)

Cc: Sue Kiser  
Jon Clark

## Butte County Association of Governments (BCAG) Indirect Cost Plan

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the Butte County Association of Governments and approved by Caltrans.

### SECTION I: Rates

Rate Type	Effective Period	Rate*	Applicable To
Fixed with carry forward	7/1/08 to 6/30/09	87.29%	All Programs

\*Base: Total Direct Salaries and Wages plus fringe benefits

### SECTION II: General Provisions

#### A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, and then audited financial statements should be used to support the prior actual costs; and, (6) The estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

#### B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs that affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

#### C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited

financial statements any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

**D. Audit Adjustments:**

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

**E. Use by Other Federal Agencies:**

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

**F. Other:**

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

**G. Rate Calculation**

FY 2008/09 Budgeted Indirect Costs	\$714,976
Carry Forward from FY 2006/07	\$ 18,910
Estimated FY 2008/09 Indirect Costs	\$733,886
FY 2008/09 Budgeted Direct Salaries and Wages plus fringe Benefits	\$840,743
FY 2008/09 Indirect Cost Rate	87.29%

## CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal to establish billing or final indirect costs rates for fiscal year 2008/09 (July 1, 2008 to June 30, 2009) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated, as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: Butte County Association of Governments

Reviewed, Approved and Submitted by:

Name of Official: Jon Clark

Signature: [Signature]

Title: Executive Director

Date of Execution: 6/09/08

Prepared by:

Name of Official: Dave Kelly

Signature: [Signature]

Title: BCAG Accountant

Phone: (530) 879-2468

## INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

[Signature]  
Signature

Reviewed and Approved by:

(Name of Audit Manager) Mary Ann Campbell Smith

Title: Chief, External Audits

Date: 9/18/08

Phone Number: (916) 323-7155

[Signature]  
Signature

Reviewed and Approved by:

(Name of auditor)

Title: Associate Management Auditor

Date: 9/18/08

Phone Number: (916) 323-7886



**BCAG-MPO CAPITAL ASSET AND DEPRECIATION SCHEDULE  
FOR ALLOCABLE CAPITAL ASSETS**

ATC NO. OWNER	DESCRIPTION/MAKE	TYPE	FUND #	ACQUISITION DATE	ACQUISITION VALUE	NET ASSET VALUE 7/01/08	DEPR EXP 08/09	ACCUM DEPR TO 7/01/09	NET ASSET VALUE 7/01/09	EST LIFE	SALVAGE VALUE
BCAG MPO	GIS COMPUTER/SOFTWARE	E	7980	10/1/97	14,075.36	0.00	0.00	14,075.36	0.00	6.00	0.00
BCAG MPO	PLOTTER	E	7980	8/24/95	6,767.48	0.00	0.00	6,767.48	0.00	6.00	0.00
BCAG MPO	NETWORK SERVER (IBS)	E	7980	6/7/00	5,188.04	0.00	0.00	5,188.04	0.00	6.00	0.00
BCAG MPO	NETWORK UPGRADE	E	7980	8/28/02	11,358.29	0.00	0.00	11,358.29	0.00	3.00	0.00
BCAG MPO	GIS PRINTER	E	7980	10/22/03	8,946.80	1,988.18	1,491.13	8,449.75	497.05	6.00	0.00
BCAG MPO	SMARTBOARD	E	7980	6/21/06	5,056.57	1,685.52	1,685.52	5,056.57	0.00	3.00	0.00
BCAG MPO	SMARTBOARD SPEAKERS	E	7980	10/26/06	497.68	186.40	186.40	497.68	0.00	2.67	0.00
BCAG MPO	NETWORK SERVER-DELL POWER EDGE	E	7980	3/6/07	11,098.39	8,632.08	1,849.73	4,316.04	6,782.35	6.00	0.00
BCAG MPO					62,988.61	12,492.18	5,212.79	55,709.21	7,279.40		0.00
<b>BCAG MPO Total</b>					62,988.61	12,492.18	5,212.79	55,709.21	7,279.40		0.00
<b>Grand Total</b>											

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**INDIRECT COST COMPARISON FY 08/09 AND FY 07/08**

	08/09 Allowable Indirect Expense	07/08 Allowable Indirect Expense	Increase (Decrease)	% Variance	Notes
Salaries	\$ 254,561	\$ 159,282	\$ 95,279	59.8%	
Employee Benefits	105,502	74,575	30,927	41.5%	
Total	\$ 360,063	\$ 233,857	\$ 126,206	54.0%	1
Communications	\$ 6,200	\$ 7,000	\$ (800)	-11.4%	2
Household	5,000	5,000	0	0.0%	
Insurance	15,000	13,000	2,000	15.4%	3
Maintenance - equipment	8,900	5,000	3,900	78.0%	4
Memberships	0	0	0		
Office expense	55,000	32,400	22,600	69.8%	5
Professional services	99,100	122,900	(23,800)	-19.4%	6
Public notices	15,000	6,000	9,000	150.0%	7
Equipment lease	25,000	18,000	7,000	38.9%	7
Rent	86,500	85,350	1,150	1.3%	
Special expense	5,000	2,000	3,000	150.0%	7
Travel	20,000	20,000	0	0.0%	
Utilities	9,000	9,000	0	0.0%	
Fixed Assets	5,213	5,500	(287)	-5.2%	
Contingencies	0	0	0		
	\$ 354,913	\$ 331,150	\$ 23,763	7.2%	
	<u>\$ 714,976</u>	<u>\$ 565,007</u>	<u>\$ 149,969</u>	<u>26.5%</u>	
Item	Direct Expense	Direct Expense	Increase (Decrease)		
Salaries	\$ 594,393	\$ 614,940	\$ (20,547)	-3.3%	
Employee Benefits	246,350	287,916	(41,566)	-14.4%	8
Total	\$ 840,743	\$ 902,856	\$ (62,113)	-6.9%	

**Explanation for variances in excess of 10%:**

- 1 Salaries and Benefits, 54.0%, \$126,206:  
Added one full-time staff position - fiscal officer/accountant with a full year S&B cost of \$100,109 and transferred general duties related to Board meetings and agenda items from OWP Work Element 09100 to Indirect Costs based on Audits Division recommendation in Finding #3, 07/08 ICRP.
- 2 Communications, (11.4%), (\$800):  
System enhancements made in 07/08 not anticipated in 08/09.
- 3 Insurance, 15.4%, \$2000:  
Based on estimates provided by BCAG's insurance broker.
- 4 Maintenance - equipment, 78%, \$3,900:  
Increase related primarily to additional costs associated with maintenance of enhanced web site access software.
- 5 Office expense, 69.8%, \$22,600:  
Primarily due to budgeting for replacement of staff's computer hardware and software, budgeted at \$20,000. Balance of increase attributable to increased materials and supplies costs and increased activity. The Total 08/09 OWP budget of \$20,259,881 is an increase of 72% over 07/08.
- 6 Professional services, (19.4%), (\$23,800):  
Reflects part-year elimination of the contract for accounting services and increases in other contracts, such as the Annual Audit agreement.
- 7 Public notices, 150%, \$9,000:
- 7 Equipment lease, 38.9%, \$7,000:
- 7 Special expense, 150%, \$3,000:  
These increases are a reflection of the increased notice requirements, copy machine lease charges and miscellaneous costs associated with a significant increase in budgeted activity in 08/09, as well as a review of actual 07/08 ytd costs, which are in excess of the initial amounts budgeted for these items. Where costs can be explicitly identified to a specific work element, such as in the public notices, they will be charged directly.
- 8 Direct Employee Benefits (14.4%), (\$41,566):  
Reflects transfer of Board related duties to Indirect (see Item 1), \$10,000 decrease in Workers Comp costs, \$22,000 decrease in health care costs due to new employees having other health insurance coverage.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**FY 08/09 INDIRECT COST CARRYFORWARD CALCULATION FOR FY 06/07**

	Actual FY 06/07	Reference	ACTUAL FY 07/08	Estimated FY 08/09	Reference
<b>Approved ICAP Rate</b>	<b>69.37%</b>	<b>FY 06/07 approved ICAP rate</b>			
Beginning Carryforward (FY 04/05)	\$ (92,439)	FY 06/07 approved ICAP		\$ 18,910	FY 06/07 carryforward **
Actual Indirect Costs	569,064	<Actual cost detail from page 6>		714,976	<from ICAP rate detail page 5>
Total Indirect Costs	<u>\$ 476,625</u>		<u>\$ -</u>	<u>\$ 733,886</u>	
Actual Direct Salaries & Fringe Benefits	\$ 659,817	<Actual cost detail from page 6>		\$ 840,743	<from ICAP rate detail page 5>
Approved Rate	<b>69.37%</b>	FY 06/07 approved ICAP rate			
Recovered Indirect Costs (approved rate x actual base)	<u>\$ 457,715</u>				
Ending Carryforward (total Indirect costs - Recovered Indirect Costs)	\$ 18,910	To FY 08/09 rate calculation <To page 2>		87.29% <b>FY 08/09 Calculated ICAP Rate</b>	(Total Indirect costs / Actual Direct Salaries & Fringe Benefits)

\* As required by 2 CFR, Part 225.55 all costs and rates identified on this page are referenced to the schedule and document that supports the stated amount and rate.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**INDIRECT COST ALLOCATION PLAN DETAIL FY 08/09**

Item	Direct Expense	Reference:	Allowable Indirect Expense	Reference:	Unallowable Indirect Expense	Reference/ Foot Note	TOTAL	Reference:
Salaries	\$ 594,393		\$ 254,561				\$ 848,954	0809 OWP p19
Employee Benefits	246,350		105,502				351,852	0809 OWP p19
Total	\$ 840,743	<To page 2>	\$ 360,063	0809 OWP p24	\$ -		\$ 1,200,806	0809 OWP p19
Communications			\$ 6,200	0809 OWP p24			\$ 6,200	0809 OWP p19
Household			5,000	0809 OWP p24			5,000	0809 OWP p19
Insurance			15,000	0809 OWP p24			15,000	0809 OWP p19
Maintenance - equipment			8,900	0809 OWP p24			8,900	0809 OWP p19
Memberships			0	0809 OWP p24	\$ 6,000	SEE NOTE 2	6,000	0809 OWP p19
Office expense			55,000	0809 OWP p24			55,000	0809 OWP p19
Professional services	\$18,653,875		99,100	0809 OWP p24	48,000	SEE NOTE 2	18,800,975	0809 OWP p19
Public notices			15,000	0809 OWP p24			15,000	0809 OWP p19
Equipment lease			25,000	0809 OWP p24			25,000	0809 OWP p19
Rent			86,500	0809 OWP p24			86,500	0809 OWP p19
Special dept expense	\$1,500		5,000	0809 OWP p24			6,500	0809 OWP p19
Travel			20,000	0809 OWP p24			20,000	0809 OWP p19
Utilities			9,000	0809 OWP p24			9,000	0809 OWP p19
Fixed Assets-Depreciation			5,213	SEE NOTE 1			5,213	SEE NOTE 1
Contingencies			0	0809 OWP p24	\$ 54,000		-	0809 OWP p19
Subtotals	\$ 18,655,375		\$ 354,913	0809 OWP p24	\$ 54,000		\$ 19,064,288	0809 OWP p19
TOTAL COSTS	\$ 19,496,118		\$ 714,976	<To page 2>	\$ 54,000		\$ 20,265,094	0809 OWP p19

NOTES:

NOTE 1: The BCAG MPO is a governmental fund. Under generally accepted governmental accounting standards, fixed asset purchases are recorded as an expenditures when incurred, and depreciation expense is not recorded. For A-87 cost allocation purposes, capital purchases cannot be included as an expense, but depreciation is an allowable expense. This results in a reconciling item between the budgeted expenditures in the OWP budget document and the ICRP as follows:

Total 08/09 Expenses per the ICRP	20,265,094
Less: Depreciation expense	(5,213)
Total 08/09 Expenses per the OWP	20,259,881

See Attached Depreciation Schedule, page 7

NOTE 2. UNALLOWABLE COSTS INCLUDE THE FOLLOWING:

MEMBERSHIPS - \$6,000 MEMBERSHIP IN CALCOG DEEMED TO BE INVOLVED WITH LOBBYING BY CALTRANS AUDITS DIV  
PROFESSIONAL SERVICES - \$48,000 CONTRACT WITH THE FERGUSAN GROUP DEEMED TO INVOLVE LOBBYING

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**FY 06/07 ACTUAL COSTS DETAILED FOR FY 08/09 CARRYFORWARD CALCULATION**

	Direct Costs	Allowable Indirect Costs	Unallowable Indirect Costs	Total
Salaries	\$ 463,382	\$ 186,274	\$ -	\$ 649,656
Benefits	196,435	89,596	-	286,031
Total salaries and benefits	659,817	275,870	-	935,687
Direct services and supplies	5,434,633	-	-	5,434,633
INDIRECT COSTS:				
Communications	-	5,453	-	5,453
Household	-	2,935	-	2,935
Insurance	-	5,011	-	5,011
Maintenance - equipment	-	2,094	-	2,094
Memberships	-	275	4,263	4,538
Office expense	-	29,391	-	29,391
Professional services	-	115,498	16,000	131,498
Public notices	-	1,463	-	1,463
Equipment lease	-	17,492	-	17,492
Rent	-	82,741	-	82,741
Special expense	-	2,554	-	2,554
Travel	-	17,491	-	17,491
Utilities	-	6,878	-	6,878
Fixed Assets-depreciation	-	3,918	-	3,918
Total indirect costs	-	293,194	20,263	313,457
Total costs	\$ 6,094,450 see note 1	569,064 see note 1	\$ 20,263 see note 2	\$ 6,683,777 see note 1

Reconciliation of expenditures to the Planning and Administration Fund:

Total direct and indirect costs	\$ 6,683,777
Depreciation	(3,918)
Fixed asset purchase	11,596

Total Planning and Administration Fund expenditures \$ 6,691,455 see Page 12 of 06/07 Audit Report

NOTE 1: REFERENCE PAGE 28 OF THE FY 06/07 AUDITED FINANCIAL STATEMENTS

NOTE 2. UNALLOWABLE COSTS INCLUDE THE FOLLOWING:

MEMBERSHIPS - \$4,263 MEMBERSHIP IN CALCOG DEEMED TO BE INVOLVED WITH LOBBYING BY CALTRANS AUDITS DIV  
PROFESSIONAL SERVICES - \$16,000 CONTRACT WITH THE FERGUSAN GROUP DEEMED TO INVOLVE LOBBYING